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BEFORE THE ARIZONA CORPORATION COMMISSION

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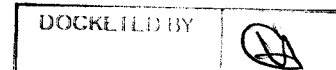
AZ CORP COMMISSION  
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COMMISSIONERS

JEFF HATCH-MILLER - Chairman  
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Arizona Corporation Commission  
**DOCKETED**

AUG 16 2006



DOCKET NO. W-01445A-05-0705

IN THE MATTER OF THE APPLICATION  
OF ARIZONA WATER COMPANY, AN  
ARIZONA CORPORATION, TO EXTEND  
ITS EXISTING CERTIFICATE OF  
CONVENIENCE AND NECESSITY AT  
RIMROCK, YAVAPAI COUNTY,  
ARIZONA

CERTIFICATE OF FILING OF  
COMPLIANCE ITEMS

On July 28, 2006 the Commission entered Decision No. 68859 (the "Decision") in this docket, approving, in part, Arizona Water Company's (the "Company") application to expand its certificated area for its Rimrock system. The Decision also ordered the Company to:

1. File with Docket Control a revised legal description including only Parcels One and Two within 30 days of the date of this Decision.
2. File a copy of the Approval to Construct for the extension facilities within one year of the date of the Decision.
3. A Notice of Filing indicating the Company has submitted for Staff review and approval a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of the date of the Decision.
4. File a copy of the developer's letter of Adequate Water Supply, stating that there is adequate water for the requested area, no later than one year of the effective date of the Decision.

1 In compliance with the foregoing provisions of the Decision, and as compliance  
2 items, the Company now gives notice of filing of copies of the following items:

- 3
- 4 1. A revised legal description including only Parcels One and Two.
  - 5 2. An agreement for extension of water facilities dated May 19, 2006, which was  
6 submitted for Staff review and approval on June 15, 2006.
  - 7 3. A Yavapai County Development Services Department Certificate of Approval  
8 to Construct dated April 9, 2006.
  - 9 4. A letter of Water Adequacy issued by the Arizona Department of Water  
10 Resources for the Beaver Creek Preserve Development, issued on August 4,  
11 2006.

12 The foregoing items are marked as Attachments A through D hereto.

13 RESPECTFULLY SUBMITTED this 16<sup>th</sup> day of August 2006.

14 **ARIZONA WATER COMPANY**

15  
16 By: Robert W. Geake

17 Robert W. Geake  
18 Vice President and General Counsel  
19 Arizona Water Company  
20 P. O. Box 29006  
21 Phoenix, AZ 85038  
22  
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26  
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1 Original and thirteen (13) copies of the foregoing filed this 16th day of August, 2006 with:

2 Docket Control Division  
3 Arizona Corporation Commission  
4 1200 West Washington Street  
Phoenix, Arizona 85007

5 A copy of the foregoing was mailed this 16th day of August, 2006 to:

6 Amy Bjelland  
7 Administrative Law Judge  
8 Hearing Division  
9 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

10 David M. Ronald, Staff Counsel  
11 Legal Division  
12 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

13 Brian Bozzo  
14 Compliance Director  
15 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

16 Patricia D. Olsen  
17 Montezuma Rimrock Water Co. LLC  
18 P.O. Box 10  
19 4599 E. Goldmine Road  
Rimrock, Arizona 86336

20  
21  
22 By: Robert W. Neake  
23  
24  
25  
26  
27  
28

## ATTACHMENT A

CC&N This Application  
REVISED

### PARCEL ONE

A parcel of land situated within the Southeast quarter of Section 26, Township 15 North, Range 5 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southwest corner of said Southeast quarter;

Thence N00°15'49"W, a distance of 1392.97 feet to the Northwest corner of the South half of the Southeast quarter of said Section 26;

Thence S85°10'44"E, a distance of 1341.11 feet to the Southwest corner of the South half of the Northeast quarter of the Southeast quarter of said Section 26;

Thence N00°16'13"W, a distance of 709.28 feet to the Northwest corner of said South half of the Northeast quarter of the Southeast quarter of said Section 26;

Thence S85°42'56"E, along the North line of said South half of the Northeast quarter of the Southeast quarter of said Section 26, a distance of 1018.16 feet;

Thence S23°56'15"W, along the boundary of Thunder Ridge - Phase V, according to Book 52 of Maps, Pages 27, 28 and 29 of records, Yavapai County, Arizona, a distance of 414.11 feet;

Thence S49°52'50"W, along said boundary, a distance of 292.91 feet;

Thence S31°19'38"E, along said boundary, a distance of 338.57 feet;

Thence S08°55'58"E, along said boundary, a distance of 226.69 feet;

Thence S82°57'02"E, along said boundary, a distance of 511.00 feet;

Thence S00°17'07"E, along the East line of the Southeast quarter of said Section 26, a distance of 1047.53 feet to the Southeast corner said Section 26;

Thence N84°04'52"W, a distance of 2687.84 feet to The POINT OF BEGINNING.

### PARCEL TWO

The Northeast quarter of Section 35, Township 15 North, Range 5 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

## ATTACHMENT B



## ARIZONA WATER COMPANY

# AGREEMENT FOR EXTENSION OF WATER FACILITIES

APPLICANT: Beaver Creek Preserve, Inc.

Name

55 Devils Kitchen Drive

Address

Sedona, AZ 86351

City and State

Zip Code

Contract No. 3523W.A. No. 2-4084

DATE OF

AGREEMENT:

May 19, 2006DATE OF COST ESTIMATE: (Attachment "A"): May 19, 2006WATER SYSTEM: Rimrock

## WATER

FACILITIES: Install a 12-inch offsite waterline, booster pump station and water distribution system to serve the Beaver Creek Preserve as per drawing (Attachment "B").

REFUNDABLE ADVANCE  
FOR CONSTRUCTION:

Install 4,400 LF of 12-inch DIP, 8,800 LF of 6-inch water distribution, a booster pump station and 102 services

\$ 927,622NON-REFUNDABLE CONTRIBUTION IN  
AID OF CONSTRUCTION:

Install nine fire hydrants

28,546

AGREEMENT TOTAL

\$ 956,168

LESS: COST OF CONSTRUCTION

896,645

BALANCE DUE

\$ 59,523

THIS AGREEMENT is made and entered into by and between ARIZONA WATER COMPANY, an Arizona corporation, (hereinafter called the "Company"), and the Applicant named above. In consideration of the services to be performed by the Company and the sums of money to be paid by the Applicant, in accordance with the related Cost Estimate, it is agreed as follows: (SEE ADDENDUM, ATTACHED HERETO)

- The Company will construct, or will arrange for the construction of the Water Facilities as described above.
- The Applicant will pay to the Company upon signing this Agreement the Total shown above, receipt of which is hereby acknowledged by the Company. The Total shown above to be paid by the Applicant to the Company is the Company's estimated cost of construction of the Water Facilities. The Company will determine and inform the Applicant of the actual cost of construction within sixty (60) days after the completion of construction or the Company's receipt of all invoices and charges related to the construction. If the actual cost of construction is less than the Total amount paid, the Company will refund the difference to the Applicant; conversely, if the actual cost of construction is more than the Total amount paid, the Applicant shall pay the difference to the Company within sixty (60) days of receipt of an invoice from the Company. However, if the actual cost is more than five percent (5%) greater than the Total amount paid, the Applicant will only be required to pay five percent (5%) more than the Total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the Total amount paid was made. The Company and the Applicant further agree that the amount subject to refund pursuant to paragraph 3 of this Agreement shall be the refundable portion of the Company's actual cost of construction. Information about the actual cost of construction will be attached to this Agreement and forwarded to the Applicant.
- Refunds of any Advance for Construction shall be made as follows: Each year for a period of 10 years the Company shall pay to the Applicant or the Applicant's assignee or successor in interest, provided the Company has first received written notice and evidence of such assignment or succession and approved of same, an amount equal to 10 percent of the total gross annual revenue received by the Company from water sales to each bona fide Applicant whose service line is directly connected to pipelines installed pursuant to this Agreement. Refunds shall be made by the Company on or before August 31 of each year, covering any water revenues received during the preceding July 1 to June 30 period. Any balance remaining subject to refund at the end of the 10-year period shall become non-refundable. Aggregate refunds shall in no event exceed the total of the refundable Advance for Construction received from the Applicant. No interest shall be paid by the Company on any amounts paid hereunder.
- All Water Facilities installed under this Agreement shall be the sole property of the Company, and the Applicant shall have no right, title or interest in or to any such facilities.
- The size, design, type and quality of materials and of the system, location and manner of installation, shall be specified by the Company and shall comply with requirements of the Arizona Corporation Commission or other public agencies having authority therein.
- The Applicant agrees to furnish to the Company adequate and recordable easements and required surveying necessary to serve each parcel or lot within the Applicant's subdivision, tract, development, or project.
- The Applicant agrees that all easements and rights-of-way shall be free of obstacles which may interfere with the construction of the Company's Water Facilities. If the Applicant's subdivision, tract, development, or project involves road construction, all roads and drainageways will be brought to grade by the Applicant prior to the commencement of the installation of the Company's Water Facilities. No pavement or curbs shall be installed prior to completion of all Water Facilities. If any street, road, alley or drainageway is installed at a different grade or location after the beginning of the installation of Water Facilities, the Applicant shall bear all costs incurred by the Company to relocate the Water Facilities as a result of said facilities having improper cover or location. Such costs shall be non-refundable.
- The Applicant agrees to pay to the Company any additional costs incurred as a result of design changes made or caused by the Applicant or its employees, agents, servants, contractors or subcontractors, the Arizona Department of Environmental Quality, the Arizona Corporation Commission, any county health department or other public agency under whose jurisdiction the subject construction may fall, or anticipated or un-anticipated changes in existing Company facilities, due to any work associated with this subdivision, tract, development or project which causes said facilities to have improper cover or location.
- This Agreement shall be binding upon and for the benefit of the successors and assigns of the Company and the Applicant. No assignment or transfer of this Agreement by the Applicant shall be binding upon the Company or create any rights in the assignee until such assignment or transfer is approved and accepted in writing by the Company.
- This Agreement, and all rights and obligations hereunder, including those regarding water service to the Applicant, are subject to the Arizona Corporation Commission's "Rules and Regulations" and the Company's tariff schedule TC-243, "Terms and Conditions for the Provision of Water Service."

ARIZONA WATER COMPANY

Company

By: C. B. B.Title: ENGINEERING TECHNICIAN

KD

BEAVER CREEK PRESERVE, INC.

Applicant

By: [Signature]Title: President

**AGREEMENT FOR EXTENSION  
OF WATER FACILITIES**

This Addendum to Agreement for Extension of Water Facilities (the "Agreement") is made and entered into as of the 19 day of May, 2006 by and between Arizona Water Company ("Company") and Beaver Creek Preserve, Inc. ("Customer") for the extension of water service and facilities to serve Beaver Creek Preserve. (the "Subdivision").

The Agreement is hereby modified and amended by mutual agreement of the parties in the following particulars:

1. Section 1 of the Agreement is revised to read as follows:

Customer will arrange for and bear the cost of the construction of all the mains, fire hydrants, and services for installation of approximately 4,400 L.F. of 12-inch D.I.P., 8,800 LF of 6-inch D.I.P., one booster pump station, 102 services and nine fire hydrants (collectively, the "Water Facilities") in accordance with plans and specifications reviewed and approved by the Company, and in accordance with the Company's current Construction Specifications & Standard Specification Drawings. Upon final acceptance by the Company, Customer shall thereafter transfer and convey the Water Facilities to the Company by Bill of Sale, together with a perpetual easement for the maintenance thereof, both documents to be prepared and approved by the Company. Customer shall furnish any document pertaining to ownership and title as may be requested by Company including documents which evidence or confirm transfer of possession to Company, and good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Customer. All risk or loss of the water facilities shall be with the Customer until written acceptance by the Company, or any portions thereof. Customer shall repair or cause to be repaired promptly, and at no cost to Company, all damage to the Water Facilities caused by Customer's construction operations until all construction in development for Customer has been completed. Customer acknowledges that Company has the right to, and may in the future, connect its existing or future water systems to the Water Facilities.

2. Section 2 of the Agreement is deleted in its entirety.

3. Section 8 of the Agreement is revised to provide that the Customer shall pay any additional costs incurred as the result of design changes made or caused by any of the persons or entities named therein and shall hold Company harmless therefrom.

4. It is further agreed that the Customer will advise all contractors asked to bid the construction of the Water Facilities that Customer will assign to the Company the duty of inspecting the installation of the Water Facilities for compliance with the Company's current Construction Specifications & Standard Specification Drawings, as referenced in Section 1 of this Addendum. If requested by Company, Customer shall "oversize" the Water Facilities as specified by Company. Company shall reimburse Developer for the differential in material prices of the oversized pipe and appurtenances, versus the material prices of the pipe and appurtenances as specified by the Company in the approved plans.

The Customer agrees to require the contractor which will be installing the Water Facilities to arrange for and attend a pre-construction conference with the Company's Division Manager at least two weeks prior to commencing construction of the Water Facilities. Customer shall obtain from the Company a signed Commencement Notice before construction of the Water Facilities begins. Developer's contractor shall comply with the Company's inspection and testing requirements for Water Facilities. Developer/contractor shall give Company adequate notice when the Water Facilities are ready for inspection and testing.

The Company specifically reserves the right to withhold final acceptance of the Water Facilities unless said facilities have been constructed in accordance with the approved plans and specifications and are satisfactory to Company upon inspection and testing. Customer agrees that it will promptly correct all material defects and deficiencies in construction, materials and workmanship upon request by Company made subsequent to inspection by Company and for one year following Company's written final acceptance of the Water Facilities in accordance with the terms of this Agreement.

Customer hereby assumes the entire responsibility and liability for injury or death of any person, or loss or damage to any property contributed to or caused by the active or passive negligence or willful acts or omissions of Customer, its agent, servants, employees, contractors or subcontractors in the execution of the work or in connection therewith. Accordingly, Customer will indemnify and hold harmless the Company, its officers, directors, agents and employees from and against claims or expenses, including penalties and assessments and attorneys' fees to which they or any of them may be subjected by reason of such injury, death, loss, claim, penalty, assessment or damage caused by the active or passive negligence or willful acts or omissions of Customer, its agents, servants, employees, contractors or subcontractors in the execution of the work or in connection therewith: and in case any suit or other proceeding shall be brought on account thereof, Customer will assume the defense at Customer's own expense and will pay all judgements rendered therein. In connection therewith, the Customer shall maintain in full force and effect insurance at no less than the following minimum amounts:

*WORKER'S COMPENSATION*

In accordance with requirements of the laws of the State of Arizona.

*COMPREHENSIVE GENERAL LIABILITY*  
(Including contractual liability covering death, bodily injury and property damage)

Combined single limit of not less than \$1,000,000 for each occurrence.

*AUTOMOTIVE LIABILITY*  
(Including owned, non-owned and hired vehicles)

Combined single limit of not less than \$1,000,000 for each occurrence.

Such insurance shall name the Company, its officers, agents, and employees as additional insured and be primary for all purposes.

The Company will at all times have the right to require that all of such insurance be placed with insurance companies that are satisfactory to it. The Customer shall file with the Company a certificate evidencing that each policy of insurance for the above coverages in the minimum amounts

specified has been purchased and is in good standing.

Such certificate shall provide that notice be given to the Company at least thirty (30) days prior to cancellation or material change in the form of such policies or any of them. Such certificates shall be kept on file by the Company and the Company must have current certificates on file, or a certificate must accompany any bid proposal, before that proposal will be accepted by the Company.

It is agreed that the Company is not an agent for Customer and shall not incur any costs or expenses on behalf of Customer and that Customer is not an agent for the Company and shall not incur any costs or expenses on behalf of the Company.

5. Customer shall, within 60 days of operational acceptance of Water Facilities by Company, furnish Company with: (a) copies of all bills, invoices and other statements of expenses incurred by Customer covering all of the costs of materials, equipment, supplies, construction and installation of the Water Facilities; (b) lien waivers and releases from contractors, subcontractors and vendors for materials, equipment, supplies and construction included in the Water Facilities; (c) receipts, specifying exact amount of payments in full by Customer to all contractors, subcontractors and vendors for all materials, equipment, supplies, labor and other costs of construction of the Water Facilities; and, (d) 4-mil mylar "as-built" drawings certified as to correctness by an engineer registered in the State of Arizona and showing the locations, materials, sizes and pertinent construction details for Water Facilities.

6. Upon final acceptance, Company will provide water service to the Subdivision in accordance with the rates, charges and conditions set forth in the tariffs of Company as filed with the Arizona Corporation Commission. Those rates are subject to change from time to time upon action by the Commission.

7. Customer agrees that the completion of the Water Facilities will be timed so as to enable Company to provide water service to the Subdivision as such service is requested.

Except as set forth herein, and except as necessary to give effect hereto, the Agreement remains in full force and effect and is unmodified.

Company:  
Arizona Water Company

By: C. B. B...  
ENGINEERING TECHNICIAN

Customer:  
Beaver Creek Preserve, Inc.

By: [Signature] 07/1/06



## ATTACHMENT C

3/10/2006 10:02 6398118

FLOODPLAIN

PAGE 02



**Yavapai County**  
**Development Services Department**

Permitting & Compliance / Planning & Design Review / Flood Control  
 500 S. Marina Street, Prescott, AZ. 86303 / 10 S. 6<sup>th</sup> Street, Cottonwood, AZ. 86326  
 (928) 771-3214 (928) 639-8151

**CERTIFICATE OF APPROVAL TO CONSTRUCT WATER FACILITIES**

Page 1 of 2

Y. C. E. S. File No: 2005 - 9384	
System Name: Beaver Creek Preserve DWID	13-
System Owner/Address: Improvement District Services, 117 E. Gurley St. Suite 206, Prescott, AZ 86301	
Project Name: Beaver Creek Preserve subdivision	
Project Owner/Address: Beaver Creek preserve, Inc. 55 Devils Kitchen Drive, Sedona, AZ 86351	
Project Location: McGuireville, Arizona	
Project Description: Extend water distribution system and construct water booster station to serve Beaver Creek Preserve subdivision, lots 1 - 101.	

Approval to construct the above-described facilities, as represented in the approved plan documents on file at Yavapai County Environmental Services, is hereby subject to the following Provisions:

1. Construction shall be in accordance with plans and specifications stamped **APPROVED FOR CONSTRUCTION, YAVAPAI COUNTY ENVIRONMENTAL SERVICES,** which are dated and signed by the authorized Environmental Unit staff.
2. The Project Owner shall notify Environmental Unit when construction of the project begins to allow for inspection during construction per A.R.S. §49-104.B.10.

Provisions 3- 8 are continued on Page 2.

The state law, A. R. S. §49-104.b.10, requires that construction of the project must be in accordance with rule and regulations of Yavapai County Development Services, Environmental. If construction has not started within one year of the date of this approval, this certificate will be void and a written extension of time shall be required.

*Thomas J. Lange* 3-9-06  
 Date Approved

Thomas J. Lange, P.E.  
 Project Manager  
 Yavapai County Development Services

cc: Y.C.E.S. File No: 2005-9384  
 Project Owner: Beaver Creek Preserve, Inc.  
 System Owner: Beaver Creek Preserve DWID  
 Engineer: Pender Engineering  
 ADEQ- Engineering Review Database

## ATTACHMENT D

ARIZONA DEPARTMENT OF WATER RESOURCES  
Office of Assured and Adequate Water Supply  
3550 N. Central Ave., Phoenix, Arizona 85012  
Telephone 602 771-8585  
Fax 602 771-8689



JANET NAPOLITANO  
Governor

HERB GUNTHER  
Director

August 4, 2006

Mr. Roy Tanney  
Arizona Department of Real Estate  
2910 N. 44th Street  
Phoenix, Arizona 85018

Water Adequacy Report #22-402203.(XXX)  
Subdivision Name: Beaver Creek Preserve  
Owner: Beaver Creek Preserve, Inc.  
Number of lots: 101  
County: Yavapai  
Township 15 N Range 5E Section 26

Water provided by: Arizona Water Co. - Rimrock  
Water Type: Ground water  
Current water depth: 181 feet below land surface  
Estimated 100-year depth: 403 feet below land surface  
Current decline rate: 1.0 feet/year  
Basin: Verde Valley

Dear Mr. Tanney:

Pursuant to A.R.S. § 45-108, the Department of Water Resources has reviewed the available information pertaining to the water supply for the above-referenced subdivision. This letter constitutes the Department's report on the subdivisions water supply as required by A.R.S. § 45-108(A).

Adequacy of the 100-year water supply was reviewed by the Department with regard to physical, legal and continuous availability, and to determine if the water supply is of adequate quality. Information available to the Department indicates that the applicant has satisfied the adequate water supply requirements as set forth in A.A.C. R12-15-715 *et seq.* Therefore, the Department of Water Resources finds the water supply to be adequate to meet the subdivision's projected needs. Any change to the subdivision or its water supply plans may invalidate this decision.

This letter is being forwarded to your office as required by A.R.S. § 45-108. This law requires the developer to hold the recordation of the subdivision's plat until receipt of the Department's report on the subdivision's water supply. By copy of this report, the Yavapai County Recorder is being officially notified of the developer's compliance with the law. Because of the possibility that a future court proceeding could result in a legal determination that water withdrawn from wells in this area is surface water, the Department recommends that your office include the following statement in all promotional material and contracts for sale of lots in the subdivision:

"Pursuant to A.R.S. § 45-108 and A.A.C. R12-15-715 *et seq.*, the Department has determined that the water supply for the Beaver Creek Preserve subdivision is adequate, i.e. that the water supply is physically, continuously and legally available to satisfy the applicant's 100-year projected water demand, and that the water supply is of suitable water quality. However, the legal availability of the water withdrawn from wells in this area may be the subject of court action in the future as part of a determination of surface water rights. Whether future court action will have an effect on the legal availability of the water supply for the proposed subdivision cannot be determined at this time."

If you have any questions, please contact Rick Obenshain at (602) 771-8585.

Sincerely,

  
Frank Putman  
Assistant Director

FP:RO:cf  
700357

cc: Yavapai County Planning and Zoning  
Yavapai County Recorder  
Chris Catalano, Southwest Ground-Water Consultants, Inc.  
Rick Obenshain, ADWR